

1980 ANNUAL REPORT  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE  
TRUST FUND

---

COMMUNICATION

FROM

THE BOARD OF TRUSTEES, FEDERAL  
SUPPLEMENTARY MEDICAL INSURANCE  
TRUST FUND

TRANSMITTING

THE 1980 ANNUAL REPORT OF THE BOARD, PURSUANT TO  
SECTION 1841(b) OF THE SOCIAL SECURITY ACT, AS AMENDED



JUNE 19, 1980.—Referred to the Committees on Interstate and Foreign  
Commerce, and Ways and Means and ordered to be printed

---

U.S. GOVERNMENT PRINTING OFFICE



## LETTER OF TRANSMITTAL

---

BOARD OF TRUSTEES OF THE  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND,  
*Washington, D.C., June 17, 1980.*

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,  
*Washington, D.C.*

SIR: We have the honor to transmit to you the 1980 Annual Report of the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund (the 15th such report), in compliance with the provisions of Section 1841(b) of the Social Security Act.

Respectfully,

G. WILLIAM MILLER,  
*Secretary of the Treasury, and Managing Trustee of the Trust Fund.*

RAY MARSHALL,  
*Secretary of Labor.*

PATRICIA ROBERTS HARRIS,  
*Secretary of Health and Human Services.*

EARL M. COLLIER, JR.,  
*Acting Administrator of the Health Care Financing Administration,  
and Secretary, Board of Trustees.*



## LETTER OF TRANSMITTAL

---

BOARD OF TRUSTEES OF THE  
FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND,  
*Washington, D.C., June 17, 1980.*

THE PRESIDENT OF THE SENATE,  
*Washington, D.C.*

SIR: We have the honor to transmit to you the 1980 Annual Report of the Board of Trustees of the Federal Supplementary Medical Insurance Trust Fund (the 15th such report), in compliance with the provisions of Section 1841(b) of the Social Security Act.

Respectfully,

G. WILLIAM MILLER,  
*Secretary of the Treasury, and Managing Trustee of the Trust Fund.*

RAY MARSHALL,  
*Secretary of Labor.*

PATRICIA ROBERTS HARRIS,  
*Secretary of Health and Human Services.*

EARL M. COLLIER, JR.,  
*Acting Administrator of the Health Care Financing Administration, and Secretary, Board of Trustees.*



## CONTENTS

---

	<b>Page</b>
The Board of Trustees .....	1
Advisory Council on Social Security .....	1
Highlights .....	1
Social Security Amendments Since the 1979 Trustees Report .....	1
Nature of the Trust Fund .....	2
Summary of the Operations of the Trust Fund, Fiscal Year 1979 .....	4
Expected Operations and Status of the Trust Fund During the Period October 1, 1979 to December 31, 1982 .....	9
Actuarial Status of the Trust Fund .....	11
Conclusion .....	14
Appendices:	
A. Actuarial Methodology and Principal Assumptions for Cost Esti- mates for the Supplementary Medical Insurance Program .....	15
B. Statement of Actuarial Assumptions and Bases Employed in Deter- mining the Monthly Adequate Actuarial Rates and the Standard Monthly Premium Rate for the Supplementary Medical Insurance Program Beginning July 1980 .....	23

# 1980 ANNUAL REPORT OF THE BOARD OF TRUSTEES OF THE FEDERAL SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND

## THE BOARD OF TRUSTEES

The Federal Supplementary Medical Insurance Trust Fund, established on July 30, 1965, is held by the Board of Trustees under the authority of section 1841(b) of the Social Security Act, as amended. The Board is comprised of three members who serve in an ex officio capacity. The members of the Board are the Secretary of the Treasury, the Secretary of Labor, and the Secretary of Health and Human Services (formerly Health, Education, and Welfare). The Secretary of the Treasury is designated by law as the Managing Trustee. The Administrator of the Health Care Financing Administration is Secretary of the Board. The Board of Trustees reports to the Congress once each year in compliance with section 1841(b)(2) of the Social Security Act. This is the 1980 annual report, the fifteenth such report.

## ADVISORY COUNCIL ON SOCIAL SECURITY

On December 7, 1979, the Advisory Council on Social Security submitted its reports. The council had no specific recommendations with regard to the supplementary medical insurance program. It did, however, recommend that a new council be established to review the Medicare and Medicaid programs.

## HIGHLIGHTS

(a) Disbursements of the supplementary medical insurance trust fund increased 20 percent in fiscal year 1979 over 1978. Most of this increase resulted from higher physician fees recognized by the program and the use of more physician services by program enrollees.

(b) Income to the trust fund increased 9 percent in fiscal year 1979 over 1978. This resulted from increased adequate actuarial rates which determine the general revenue contribution and from increased enrollment in the program.

(c) The trust fund increased \$1,025 million to \$4,994 million during 1979.

(d) In December of 1979, the Secretary of the Health, Education, and Welfare promulgated a standard monthly premium rate of \$9.60 and adequate actuarial rates of \$16.30 for the aged enrollees and \$25.50 for the disabled enrollees for the 12-month period ending June 30, 1981.

(e) An average of 23.8 million persons aged 65 and over were enrolled in the program in fiscal year 1979. This is about 95 percent of the aged population. An additional 2.7 million disabled beneficiaries were enrolled in the same period.

## SOCIAL SECURITY AMENDMENTS SINCE THE 1979 TRUSTEES REPORT

Public Law 96-265, which was enacted on June 9, 1980, amends the Medicare law to permit an individual who becomes reentitled to cash

disability benefits within a 5-year period (7 years for adult disabled children, widows, and widowers) to have previous months of disability benefit entitlement counted toward his or her 24-month Medicare waiting period. Another provision would extend the trial work period for 12 months and Medicare entitlement for 24 months (for a total of an additional 36 months over present law) for those individuals who have not medically recovered. Both provisions become effective 6 months after enactment.

A third provision of the law is intended to help resolve the problem of abuses in the sale of private insurance to supplement Medicare—"Medigap" policies. This provision would: (1) establish, by July 1, 1982, a voluntary program whereby the Department of Health and Human Services would certify Medicare supplemental health insurance policies which meet certain minimum standards; (2) require the Secretary to make information available to persons entitled to Medicare to help them evaluate such policies; (3) provide increased penalties for insurers and their agents for misrepresentation; and (4) require the Secretary to study Medigap issues.

#### NATURE OF THE TRUST FUND

The Federal Supplementary Medical Insurance Trust Fund was established on July 30, 1965, as a separate account in the United States Treasury. All the financial operations of the supplementary medical insurance program are handled through this fund.

The major sources of receipts of the trust fund are (1) premiums paid by eligible persons who are voluntarily enrolled in the program and (2) contributions of the Federal Government that are authorized to be appropriated and transferred from the general fund of the Treasury. Eligible persons aged 65 and over have been able to enroll in the program since its inception in July 1966. Since July 1973, disabled persons under age 65, who meet certain eligibility requirements, have also been able to enroll in the program.

The premiums paid by participants are based on the standard monthly premium rate, which is the same for participants aged 65 and over and for disabled participants under age 65. Premiums paid for fiscal years 1967 through 1973 were matched by an equal amount of Government contributions. Beginning July 1973, the amount of Government contributions corresponding to premiums paid by each of the two groups of participants is determined by applying a ratio, prescribed in the law for each group, to the amount of premiums received from that group of participants. The ratio is equal to (1) twice the amount of the adequate actuarial rate applicable to the particular group of participants, minus the amount of the standard monthly premium rate, divided by (2) the amount of the standard monthly premium rate.

Standard monthly premium rates and adequate actuarial rates are promulgated each year by the Secretary of Health and Human Services. The standard monthly premium rates in effect from the beginning of the program, July 1966 through June 1980, and the rate promulgated for July 1980 through June 1981, are shown in table 1. Adequate actuarial rates in effect from July 1973 through June 1980, and the rates promulgated for July 1980 through June 1981, are also shown.

TABLE 1.—STANDARD MONTHLY PREMIUM RATES AND ADEQUATE ACTUARIAL RATES

	Standard monthly premium rate	Adequate actuarial rate	
		Participants aged 65 and over	Disabled participants under age 65
July 1966-March 1968.....	\$3.00		
April 1968-June 1970.....	4.00		
12-month period ending June 30 of—			
1971.....	5.30		
1972.....	5.60		
1973.....	5.80		
1974 <sup>1</sup> .....	6.30	\$6.30	\$14.50
1975.....	6.70	6.70	18.00
1976.....	6.70	7.50	18.50
1977.....	7.20	10.70	19.00
1978.....	7.70	12.30	25.00
1979.....	8.20	13.40	25.00
1980.....	8.70	13.40	25.00
1981.....	9.60	16.30	25.50

<sup>1</sup> In accordance with limitations on the costs of health care imposed under phase III of the economic stabilization program, the standard premium rate for July and August 1973 was set at \$5.80 and \$6.10, respectively. Effective September 1973, the rate increased to \$6.30.

Another source from which receipts of the trust fund are derived is interest received on investments held by the fund. The investment procedures of the fund are described later in this section.

Section 201(i) of the Social Security Act authorizes the Managing Trustee to accept and deposit in the trust fund unconditional money gifts or bequests made for the benefit of the fund or for any activity financed through the fund.

Expenditures for benefit payments and administrative expenses under the program are paid out of the trust fund. All expenses incurred by the Department of Health and Human Services and by the Department of the Treasury in carrying out the supplementary medical insurance provisions of title XVIII of the Social Security Act are charged to the trust fund. The Secretary of Health and Human Services certifies benefit payments to the Managing Trustee, who makes the payments from the trust fund in accordance therewith.

Hospitals, at their option, are permitted to combine their billing for both hospital costs and physician components of radiology and pathology services rendered hospital inpatients by hospital-based physicians. Where hospitals elect this billing procedure, payments are made initially from the hospital insurance trust fund, with reimbursement later to it from the supplementary medical insurance trust fund. The reimbursements so made are on a provisional basis and are subject to adjustment, with appropriate interest allowances, as the actual experience develops and is analyzed.

The Social Security Amendments of 1967 and 1972 authorize the Secretary of Health and Human Services to develop and conduct a broad range of experiments and demonstration projects designed to determine various methods of increasing efficiency and economy in providing health care services, while maintaining the quality of such services, under the hospital insurance and supplementary medical insurance programs. A sizeable portion of such costs of such experiments and demonstration projects are paid out of the hospital insurance and supplementary medical insurance trust funds, with the remainder funded through general revenues.

Congress has authorized expenditures from the trust funds for construction, rental, and lease or purchase contracts of office buildings and related facilities for use in connection with the supplementary medical insurance program. Both the capital costs of construction financed directly from the trust fund and the rental, lease, or purchase contract costs of acquiring facilities are included in trust fund expenditures. In 1972-75, construction of several large facilities was authorized under purchase contract authority, wherein initial capital costs were borne by the private sector. Under this method of facilities acquisition, trust fund expenditures for use and ultimate Government ownership of a facility are made over periods of from 10 to 30 years. Whatever the manner of acquisition, the net worth of facilities and other fixed capital assets is not carried in the statement of the assets of the trust fund presented in this report. This is because the value of fixed capital assets does not represent funds available for benefit or administrative expenditures and, therefore, is not viewed as being a consideration in assessing the actuarial status of the funds.

That portion of the trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below), in obligations guaranteed as to both principal and interest by the United States, or in certain federally sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. Obligations of these types may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust fund. The law requires that such special public-debt obligations shall bear interest at a rate based on the average market yield (computed on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month.

#### SUMMARY OF THE OPERATIONS OF THE TRUST FUND, FISCAL YEAR 1979

A statement of the income and disbursements of the Federal Supplementary Medical Insurance Trust Fund in fiscal year 1979 and of the assets of the fund at the beginning and end of the fiscal year is presented in table 2. Comparable amounts for fiscal year 1978 are also shown in the table.

TABLE 2.—STATEMENT OF OPERATIONS OF THE SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND DURING FISCAL YEARS 1978 AND 1979

(In thousands)

	Fiscal year 1978	Fiscal year 1979
Total assets of the trust fund, beginning of period	\$2, 279, 426	\$3, 968, 425
Receipts:		
Premiums from participants:		
Participants aged 65 and over	2, 186, 489	2, 372, 679
Disabled participants under age 65	244, 644	262, 813
Total premiums	2, 431, 133	2, 635, 492
Transfers from general fund of the Treasury:		
Government contributions:		
For premiums received from participants aged 65 and over	4, 964, 795	5, 459, 406
For premiums received from disabled participants under age 65	1, 397, 708	1, 368, 383
Total Government contributions	6, 362, 503	6, 827, 790
Interest on delayed transfers of Government contributions	23, 000	12, 995
Total transfers from general fund of the Treasury	6, 385, 503	6, 840, 785
Interest:		
Interest on investments	229, 065	362, 357
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs <sup>1</sup>	-217	431
Total interest	228, 848	362, 787
Total receipts	9, 045, 484	9, 839, 064
Disbursements:		
Benefit payments:		
Paid directly from the trust fund for costs of health services	6, 844, 630	8, 250, 653
Transfers to the hospital insurance trust fund for reimbursement of interest loss related to transfer payments made in conjunction with the costs of radiology and pathology services <sup>2</sup>	6, 000	6, 000
Total benefit payments	6, 850, 630	8, 256, 653
Costs of experiments and demonstration projects <sup>2</sup>	1, 622	2, 423
Administrative expenses:		
Department of Health, Education, and Welfare <sup>3</sup>	496, 724	549, 768
Treasury Department	33	67
Railroad Retirement Board	743	1, 796
Office of Personnel Management	76	62
Construction of facilities	2, 782	196
Interfund transfers due to adjustment in allocation of—Administrative expenses <sup>4</sup>	3, 850	2, 983
Construction costs <sup>4</sup>	32	-367
Gross administrative expenses	504, 240	554, 504
Less receipts from sale of surplus supplies, materials, etc.	6	5
Net administrative expenses	504, 234	554, 499
Total disbursements	7, 356, 486	8, 813, 575
Net addition to the trust fund	1, 688, 999	1, 025, 489
Total assets of the trust fund, end of year	3, 968, 425	4, 993, 913

<sup>1</sup> A positive figure represents a transfer of interest to the supplementary medical insurance trust fund from the other trust funds. A negative figure represents a transfer of interest from the supplementary medical insurance trust fund to the other trust funds.

<sup>2</sup> For explanation, see text.

<sup>3</sup> Includes administrative expenses of the carriers and intermediaries.

<sup>4</sup> A positive figure represents a transfer from the supplementary medical insurance trust fund to the other trust funds. A negative figure represents a transfer to the supplementary medical insurance trust fund from the other trust funds.

Note: Totals do not necessarily equal the sum of rounded components.

The total assets of the trust fund amounted to \$3,968 million on September 30, 1978. During fiscal year 1979, total receipts amounted to \$9,839 million, and total disbursements were \$8,814 million. Total assets thus increased \$1,025 million during the year to a total of \$4,994 million on September 30, 1979.

Of the total receipts, \$2,373 million represented premium payments by (or on behalf of) participants aged 65 and over, and \$263 million represented premium payments by (or on behalf of) disabled participants under age 65. Total premium payments amounted to \$2,635 million, an increase of 8.4 percent over the amount of \$2,431 million for the preceding year. This increase in premiums from participants resulted primarily from (1) the expected growth in the number of persons enrolled in the supplementary medical insurance program, and (2) the increase from \$7.70 to \$8.20 per month in the standard premium rate that became effective on July 1, 1978, and the increase from \$8.20 to \$8.70 per month in the standard premium rate that became effective on July 1, 1979.

Contributions received from the general fund of the treasury amounted to \$6,841 million. This amount consisted of \$5,459 million representing contributions relating to premiums paid by participants aged 65 and over, \$1,368 million representing contributions relating to the premiums paid by disabled participants under age 65, and \$13 million in interest on delayed transfers of Government contributions.

The remaining \$363 million of receipts consisted almost entirely of interest on the investments of the trust fund.

Of the \$8,814 million in total disbursements, \$8,251 million represented benefits paid directly from the trust fund for health services covered under Title XVIII of the Social Security Act. In addition, transfers were made to the hospital insurance trust fund consisting of \$6 million to adjust for the loss of interest caused by the delay in transferring payments for the costs of radiology and pathology services that were paid initially from the hospital insurance trust fund but that were liabilities of the supplementary medical insurance trust fund. Total benefit payments from the trust fund in fiscal year 1979, therefore, amounted to \$8,257 million, an increase of 20.5 percent over the corresponding amount of \$6,851 million paid in the preceding year. An additional \$2 million in disbursements constituted payment for costs of experiments and demonstration projects in providing health care services.

The remaining \$554 million of disbursements was for net administrative expenses. Administrative expenses are allocated and charged directly to each of the four trust funds—old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance—on the basis of provisional estimates. Similarly, the expenses of administering other programs of the Health Care Financing Administration are also allocated and charged directly to the general fund of the Treasury on a provisional basis. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses and costs of construction for prior periods are affected by interfund transfers, including transfers between the hospital insurance and supplementary medical insurance trust funds and the program management general fund account, with appropriate interest allowances.

In table 3, the experience with respect to actual amounts of participants' premiums, Government contributions, and benefit payments in fiscal year 1979 is compared with the estimates for fiscal year 1979 which appeared in the 1978 and 1979 annual reports. The actual experience was relatively close to the estimates for premiums, Government contributions, and benefit payments.

TABLE 3.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, FISCAL YEAR 1979

(Dollar amounts in millions)

Item	Comparison of actual experience with estimates for fiscal year 1979 published in—				
	Actual amount	1979 report		1978 report	
		Estimated amount	Actual as percentage of estimate	Estimated amount	Actual as percentage of estimate
Premiums from participants.....	\$2,635	\$2,650	99	\$2,631	100
Government contributions.....	6,841	6,748	101	6,853	100
Benefit payments.....	8,259	8,193	101	8,411	98

The assets of the trust fund at the end of fiscal year 1978 totaled \$3,968 million, consisting of \$4,021 million in the form of obligations of the U.S. Government and, as an offset, an extension of credit of \$52 million against securities to be redeemed. This was covered by the redemption of securities on October 1, 1978. The assets of the trust fund at the end of fiscal year 1979 totaled \$4,994 million, consisting of \$4,974 million in the form of obligations of the U.S. Government and an undisbursed balance of \$20 million. Table 4 shows a comparison of the total assets of the fund and their distribution at the end of fiscal year 1978 and at the end of fiscal year 1979. A comparison of assets of the trust fund with liabilities for incurred but unpaid benefits (and related administrative expenses) is shown in a later section.

TABLE 4.—ASSETS OF THE SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, AT THE END OF FISCAL YEARS 1978 AND 1979<sup>1</sup>

	Sept. 30, 1978	Sept. 30, 1979
Investments in public-debt obligations sold only to this fund (special issues):		
Certificates of indebtedness:		
8½ percent, 1979.....	\$32,245,000.00	-----
8½ percent, 1979.....	435,330,000.00	-----
8½ percent, 1980.....	-----	\$162,278,000.00
9 percent, 1980.....	-----	110,722,000.00
Notes: 6½ percent, 1980.....	199,029,000.00	-----
Bonds:		
7½ percent, 1981.....	56,246,000.00	56,246,000.00
7½ percent, 1982.....	56,245,000.00	56,245,000.00
7½ percent, 1983.....	56,245,000.00	56,245,000.00
7½ percent, 1984.....	56,245,000.00	56,245,000.00
7½ percent, 1985.....	56,245,000.00	56,245,000.00
7½ percent, 1986.....	56,245,000.00	56,245,000.00
7½ percent, 1987.....	56,245,000.00	56,245,000.00
7½ percent, 1988.....	56,245,000.00	56,245,000.00
7½ percent, 1989.....	56,245,000.00	56,245,000.00
7½ percent, 1990.....	56,246,000.00	56,246,000.00
7½ percent, 1991.....	56,246,000.00	56,246,000.00
7½ percent, 1992.....	137,816,000.00	137,816,000.00
7½ percent, 1981.....	11,547,000.00	11,547,000.00
7½ percent, 1982.....	11,547,000.00	11,547,000.00
7½ percent, 1983.....	11,546,000.00	11,546,000.00
7½ percent, 1984.....	11,546,000.00	11,546,000.00
7½ percent, 1985.....	11,546,000.00	11,546,000.00
7½ percent, 1986.....	11,547,000.00	11,547,000.00

TABLE 4.—ASSETS OF THE SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND, AT THE END OF FISCAL YEARS 1978 AND 1979<sup>1</sup>—Continued

	Sept. 30, 1978	Sept. 30, 1979
Investments in public-debt obligations sold only to this fund (special issues)—Continued		
Bonds—Continued		
7 $\frac{7}{8}$ percent, 1987	\$11,547,000.00	\$11,547,000.00
7 $\frac{7}{8}$ percent, 1988	11,547,000.00	11,547,000.00
7 $\frac{7}{8}$ percent, 1989	11,547,000.00	11,547,000.00
7 $\frac{7}{8}$ percent, 1990	73,510,000.00	73,510,000.00
7 $\frac{1}{2}$ percent, 1981	8,060,000.00	8,060,000.00
7 $\frac{1}{2}$ percent, 1982	8,060,000.00	8,060,000.00
7 $\frac{1}{2}$ percent, 1983	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1984	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1985	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1986	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1987	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1988	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1989	8,061,000.00	8,061,000.00
7 $\frac{1}{2}$ percent, 1990	8,060,000.00	8,060,000.00
7 $\frac{1}{2}$ percent, 1991	81,570,000.00	81,570,000.00
7 $\frac{5}{8}$ percent, 1981	61,964,000.00	61,964,000.00
7 $\frac{5}{8}$ percent, 1982	61,964,000.00	61,964,000.00
7 $\frac{5}{8}$ percent, 1983	61,964,000.00	61,964,000.00
7 $\frac{5}{8}$ percent, 1984	61,964,000.00	61,964,000.00
7 $\frac{5}{8}$ percent, 1985	61,964,000.00	61,964,000.00
7 $\frac{5}{8}$ percent, 1986	61,963,000.00	61,963,000.00
7 $\frac{5}{8}$ percent, 1987	61,963,000.00	61,963,000.00
7 $\frac{5}{8}$ percent, 1988	61,963,000.00	61,963,000.00
7 $\frac{5}{8}$ percent, 1989	61,963,000.00	61,963,000.00
8 $\frac{1}{4}$ percent, 1980	54,766,000.00	54,766,000.00
8 $\frac{1}{4}$ percent, 1981	115,977,000.00	115,977,000.00
8 $\frac{1}{4}$ percent, 1982	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1983	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1984	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1985	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1986	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1987	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1988	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1989	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1990	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1991	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1992	115,978,000.00	115,978,000.00
8 $\frac{1}{4}$ percent, 1993	253,794,000.00	253,794,000.00
8 $\frac{3}{4}$ percent, 1980	-----	126,825,000.00
8 $\frac{3}{4}$ percent, 1981	-----	72,935,000.00
8 $\frac{3}{4}$ percent, 1982	-----	72,935,000.00
8 $\frac{3}{4}$ percent, 1983	-----	72,935,000.00
8 $\frac{3}{4}$ percent, 1984	-----	72,935,000.00
8 $\frac{3}{4}$ percent, 1985	-----	72,935,000.00
8 $\frac{3}{4}$ percent, 1986	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1987	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1988	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1989	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1990	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1991	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1992	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1993	-----	72,934,000.00
8 $\frac{3}{4}$ percent, 1994	-----	326,728,000.00
Total investments in public-debt obligations	4,020,692,000.00	4,974,022,000.00
Undisbursed balance	2-52,267,282.28	19,891,272.88
Total assets	3,968,424,717.72	4,993,913,272.88

<sup>1</sup> The assets are carried at par value, which is the same as book value.

<sup>2</sup> The negative figure represented an extension of credit which was covered by the redemption of securities on the first day of the following month.

The net increase in the par value of the investments owned by the fund during fiscal year 1978 amounted to \$1,789 million. New securities at a total par value of \$10,889 million were acquired during the fiscal year through the investment of receipts and reinvestments of funds made available from the redemption of securities. The par value of securities redeemed during the year was \$9,100 million. Included in these amounts is \$8,915 million in certificates of indebtedness that were acquired, and \$8,487 million in certificates of indebtedness that were redeemed, within the fiscal year.

The net increase in the par value of the investments held by the fund during fiscal year 1979 amounted to \$953 million. New securities at a total par value of \$11,190 million were acquired the fiscal year through the investment of receipts and reinvestment of funds made available from the redemption of securities. The par value of securities redeemed during the year was \$10,237 million. Included in these amounts is \$9,788 million in certificates of indebtedness that were acquired, and \$9,983 million in certificates of indebtedness that were redeemed, within the fiscal year.

The effective annual rate of interest earned by the assets of the supplementary medical insurance trust fund during the 12 months ending on June 30, 1979 was 8.2 percent. (This period is used because interest on special issues is paid semiannually on June 30 and December 31.) The interest rate on special issues purchased by the trust fund in June 1979 was 8¾ percent, payable semiannually.

#### EXPECTED OPERATIONS AND STATUS OF THE TRUST FUND DURING THE PERIOD OCTOBER 1, 1979 TO DECEMBER 31, 1982

Financing for the supplementary medical insurance program is established annually on the basis of standard monthly premium rates (paid by or on behalf of the participants) and adequate actuarial rates (on which general revenue contributions are based) which are applicable to a period of July 1 through the following June 30. In recent years, allowable fee limits for physician services have also been established to apply to the same July 1 to June 30 period.

Standard premium rates and adequate actuarial rates have been promulgated for periods through June 30, 1981. It has been assumed in this report that financing after that time will be established to cover the incurred expenses of the program.

The projections assume that allowable fees for physician services will increase an average of 7.9 percent for the 12-month period ending June 30, 1980 and will increase an average of 10.9 percent for the 12-month period ending June 30, 1981. The costs per enrollee for institutional and other services under Part B are projected to increase 21 percent for the 12-month period ending June 30, 1980 over the previous 12 months and an additional 15 percent for the 12-month period ending June 30, 1981.

Table 5 shows the projected operations of the trust fund on a fiscal year basis through fiscal year 1982. Table 6 shows the corresponding development on a calendar year basis. The trust fund increased substantially in fiscal year 1979 due primarily to the fact that actual expenditures were less than anticipated at the time the financing for this period was established. The adequate rates for the 12-month period ending June 30, 1980 were maintained at the same level as the preceding 12-month period in order to slow the rate of increase in the fund. However the current estimate for expenditures exceeds the projection at the time of the promulgation, and as a result the fund is projected to decrease slightly to \$4,885 million by the end of fiscal year 1980. The adequate rates for the 12-month period ending June 30, 1981 were promulgated with specific margins to maintain an adequate level in the trust funds. As a result the fund is projected to increase slightly to \$4,982 million by the end of fiscal year 1981.

TABLE 5.—ESTIMATED PROGRESS OF SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND (CASH BASIS), FISCAL YEARS 1980-82 AND ACTUAL DATA FOR 1967-79

[In millions]

Fiscal year	Income			Disbursements			Balance in fund at end of year <sup>3</sup>	
	Premiums from participants	Government contributions <sup>1</sup>	Interest on fund	Total income	Benefit payments	Administrative expenses		Total disbursements
<b>Historical:</b>								
1967	\$647	\$623	\$15	\$1,285	\$664	\$134	\$779	\$486
1968	698	634	21	1,353	1,390	143	1,532	307
1969	903	984	23	1,911	1,645	195	1,840	378
1970	936	928	12	1,876	1,979	217	2,196	57
1971	1,253	1,245	17	2,516	2,035	248	2,283	290
1972	1,340	1,365	29	2,734	2,255	288	2,544	481
1973	1,427	1,430	45	2,902	2,391	246	2,637	746
1974	1,704	2,029	76	3,809	2,874	409	3,283	1,272
1975	1,887	2,330	106	4,322	3,765	404	4,170	1,424
1976	1,951	2,939	104	4,994	4,671	528	5,200	1,219
Interim <sup>4</sup>	539	878	4	1,421	1,269	133	1,401	1,239
1977 <sup>5</sup>	2,193	5,053	137	7,383	5,867	475	6,342	2,279
1978 <sup>5</sup>	2,431	6,386	229	9,045	6,852	504	7,356	3,968
1979 <sup>5</sup>	2,635	6,841	363	9,839	8,259	555	8,814	4,994
<b>Projected:</b>								
1980 <sup>5</sup>	2,912	7,046	399	10,357	9,767	699	10,466	4,885
1981 <sup>5</sup>	3,321	8,737	395	12,453	11,609	747	12,356	4,982
1982 <sup>5</sup>	3,858	10,985	432	15,275	13,879	718	14,597	5,660

<sup>1</sup> The payments shown as being from the general fund of the Treasury include certain interest-adjustment items.<sup>2</sup> The financial status of the program depends on both the total net assets and the liabilities of the program. (See table 8.)<sup>3</sup> Administrative expenses shown include those paid in fiscal years 1966 and 1967.<sup>4</sup> Interim period is the period from July 1, 1976 to Sept. 30, 1976.<sup>5</sup> Beginning with fiscal year 1977 the fiscal year is the 12-mo period ending with Sept. 30 of the year indicated.

TABLE 6.—ESTIMATED PROGRESS OF SUPPLEMENTARY MEDICAL INSURANCE TRUST FUND (CASH BASIS), CALENDAR YEARS 1980-82 AND ACTUAL DATA FOR 1966-79

[In millions]

Calendar year	Income			Disbursements			Balance in fund at end of year <sup>2</sup>	
	Premiums from participants	Government contributions <sup>1</sup>	Interest on fund	Total income	Benefit payments	Administrative expenses		Total disbursements
<b>Historical:</b>								
1966	\$322	0	\$3	\$324	\$128	\$75	\$203	\$122
1967	640	\$933	24	1,597	1,197	110	1,307	412
1968	832	858	21	1,711	1,518	183	1,702	421
1969	914	907	18	1,839	1,865	196	2,061	199
1970	1,096	1,093	12	2,201	1,975	238	2,212	188
1971	1,302	1,313	24	2,639	2,117	260	2,377	450
1972	1,382	1,389	37	2,808	2,325	290	2,614	643
1973	1,550	1,705	57	3,311	2,526	318	2,844	1,111
1974	1,804	2,225	95	4,124	3,318	410	3,728	1,506
1975	1,918	2,648	106	4,673	4,273	462	4,735	1,444
1976	2,060	3,810	106	5,977	5,080	542	5,622	1,799
1977	2,247	5,386	172	7,805	6,038	467	6,505	3,099
1978	2,470	6,287	299	9,056	7,252	503	7,755	4,400
1979	2,719	6,645	404	9,768	8,708	557	9,265	4,902
<b>Projected:</b>								
1980	3,002	7,440	397	10,839	10,221	711	10,932	4,809
1981	3,458	9,404	414	13,276	12,199	740	12,939	5,146
1982	3,983	11,411	465	15,859	14,514	733	15,247	5,758

<sup>1</sup> The payments shown as being from the general fund of the Treasury include certain interest-adjustment items.<sup>2</sup> The financial status of the program depends on both the total net assets and the liabilities of the program. (See table 8.)